

Financial Statements of

# TRANSFORM SHARED SERVICE ORGANIZATION

Year ended March 31, 2023

**Mission:** *As a strategic partner, we are dedicated to delivering exceptional service and creating new opportunities to improve value to the health system;* **Vision:** *Lead innovation and change to achieve health system transformation;* **Values:** *Collaboration, Accountability, Respect, Teamwork*

# TRANSFORM SHARED SERVICE ORGANIZATION

## Table of Contents

Year ended March 31, 2023

---

Financial Statements of TransForm Shared Services Organization

Independent Auditor's Report	1 – 3
Financial Statements:	
Statement of Financial Position	4
Statement of Revenue and Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 15



KPMG LLP  
618 Greenwood Centre  
3200 Deziel Drive  
Windsor ON N8W 5K8  
Canada  
Tel 519-251-3500  
Fax 519-251-3530

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TransForm Shared Service Organization

### ***Opinion***

We have audited the financial statements of TransForm Shared Service Organization (the Organization), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of revenue and expenses for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibility of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Organization's internal control.



Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada  
July 12, 2023

# TRANSFORM SHARED SERVICE ORGANIZATION

## Statement of Financial Position

(in thousands of dollars)

March 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash	\$ 6,860	\$ 8,312
Accounts receivable	8,144	6,247
Inventory	510	471
Prepaid expenses	532	318
	<u>16,046</u>	<u>15,348</u>
Accounts receivable - long-term	1,580	1,516
Capital assets (note 2)	2,803	2,624
	<u>\$ 20,429</u>	<u>\$ 19,488</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 5,366	\$ 5,682
Advances - projects	4,117	3,457
Unearned revenue (note 4)	4,361	3,336
Current portion of capital leases (note 5)	566	682
	<u>14,410</u>	<u>13,157</u>
Capital leases (note 5)	473	1,039
Deferred capital contributions related to capital assets (note 6)	2,803	2,624
Unspent deferred capital contributions	2,743	2,668

## Net Assets

Unrestricted	-	-
Contracts and commitments (note 7)		
	<u>\$ 20,429</u>	<u>\$ 19,488</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# TRANSFORM SHARED SERVICE ORGANIZATION

## Statement of Revenue and Expenses

(in thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Contributions from member hospitals - base funding (note 8)	\$ 11,807	\$ 12,132
Project revenues and other income	11,504	11,634
Amortization of deferred contributions related to capital assets	1,185	1,196
Investment income	370	140
	<u>24,866</u>	<u>25,102</u>
Expenses:		
Salaries, wages and benefits	17,393	18,268
Computer hardware, software, maintenance, licenses, data processing and regional data centre	4,577	3,613
Supplies and other expenses	1,664	1,951
Amortization of capital assets	1,185	1,196
Interest	47	74
	<u>24,866</u>	<u>25,102</u>
Excess of revenue over expenses before rebills	-	-
Rebill recoveries and expenses - net (notes 8 and 11)	-	-
Excess of revenue over expenses	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# TRANSFORM SHARED SERVICE ORGANIZATION

## Statement of Cash Flows

(in thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Operating activities:		
Excess of revenue over expenses	\$ -	\$ -
Items not involving cash:		
Amortization of capital assets	1,185	1,196
Amortization of deferred contributions related to capital assets	(1,185)	(1,196)
	-	-
Changes in non-cash working capital balances:		
Accounts receivable	(1,961)	6,897
Inventory	(39)	124
Prepaid expenses	(214)	171
Accounts payable and accrued liabilities	(316)	(3,508)
Advances - projects	660	2,215
Unearned revenue	1,025	(665)
	(845)	5,234
Investing activities:		
Purchase of capital assets	(1,364)	(768)
	(1,364)	(768)
Financing activities:		
Capital lease payments	(682)	(854)
Deferred capital contributions related to capital assets	1,364	768
Unspent deferred capital contributions	75	797
	757	711
Increase (decrease) in cash position	(1,452)	5,177
Cash position, beginning of year	8,312	3,135
Cash position, end of year	\$ 6,860	\$ 8,312

See accompanying notes to financial statements.



# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements

(in thousands of dollars)

Year ended March 31, 2023

---

TransForm Shared Service Organization (“the Organization”) is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The objective of the Organization is to provide;

- i. Specialty Information Technology/Information Management (IT/IM) services;
- ii. Supply Chain and Specialized Contract services;
- iii. Project Management services to address local, regional and provincial health priorities and initiatives.

All divisions work with various health service providers and government officials to lead transformational change. Specifically all divisions are focused on providing value, improving the patient experience, achieving better health outcomes and utilizing health resources more effectively. All three divisions work to support their customers in the delivery of exceptional patient care by ensuring efficiencies, service excellence and cost savings. The Organization was founded by the five Erie St. Clair hospitals (Bluewater Health, Chatham-Kent Health Alliance, Hôtel-Dieu Grace Healthcare, Erie Shores HealthCare and Windsor Regional Hospital) and is governed by a Board of Directors comprised of senior executives nominated by each hospital, as well as independent Directors.

Services are provided to member organizations at rates designed to reflect the costs and expenses incurred by the Corporation in the normal course of business. Annual operating expenses are to be allocated to the members based primarily on a funding formula methodology which incorporates service driver data on a three year rolling average. Any surplus of revenue over expenses is to be retained by the Corporation for provision of future services. Any deficiency of revenue over expenses is recoverable from the individual members in accordance with the allocation formula previously described. Additional funds for capital projects or additional expenses outside the annual operating plan are shared based on the number of users impacted by these projects at each member hospital.

# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements (continued)

(in thousands of dollars)

Year ended March 31, 2023

---

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

### 1. Significant accounting policies:

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which includes government contributions.

Operating contributions are recorded as revenue in the period to which they relate. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income on unspent deferred contributions, if restricted for future use, is deferred as a component of such contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

(b) Inventory:

Inventories are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis. Inventory consists of medical supplies that are distributed for home and community care.

(c) Capital assets:

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, at the following rates:

Asset	Rate
Computer hardware & software - capital leases	over the life of the lease, up to 5 years
Computer software licences & software development	3 to 5 years
Computer hardware	5 years
Furniture, fixtures & equipment	10 years
Leasehold improvements	over the life of the lease, up to 5 years

# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements (continued)

(in thousands of dollars)

Year ended March 31, 2023

---

### 1. Significant accounting policies (continued):

(d) Deferred capital contributions:

The Organization records deferred capital contributions using the deferral method. Deferred capital contributions are amortized on the straight-line basis over the estimated useful life of the corresponding capital asset acquired.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Capital disclosure:

The Organization considers its capital to be its deferred contributions, deferred contributions related to capital assets and unrestricted net assets. The Organization's primary objective of capital management is to ensure that it has sufficient resources to continue to provide the full continuum of supply chain and IT/IM services. Annual budgets are developed and monitored to ensure the Organization's capital is maintained at an appropriate level.

# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements (continued)

(in thousands of dollars)

Year ended March 31, 2023

### 1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates include the valuation of accounts receivable and capital assets. Actual results could differ from those estimates.

### 2. Capital assets:

2023	Cost	Accumulated amortization	Net book value
Computer hardware and software - capital leases	\$ 11,474	\$ 8,987	\$ 2,487
Computer software licences and software development	1,906	1,906	–
Computer hardware	607	367	240
Furniture, fixtures and equipment	331	314	17
Leasehold improvements	309	250	59
	<u>\$ 14,627</u>	<u>\$ 11,824</u>	<u>\$ 2,803</u>

2022	Cost	Accumulated amortization	Net book value
Computer hardware and software - capital leases	\$ 10,371	\$ 7,942	\$ 2,429
Computer software licences and software development	1,906	1,906	–
Computer hardware	395	274	121
Furniture, fixtures and equipment	331	303	28
Leasehold improvements	261	215	46
	<u>\$ 13,264</u>	<u>\$ 10,640</u>	<u>\$ 2,624</u>

### 3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities, are government remittances payable of \$249 (2022 - \$668) which include amounts payable for HST and payroll related remittances.

# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements (continued)

(in thousands of dollars)

Year ended March 31, 2023

### 4. Unearned revenue:

TransForm collects funds from member hospitals and other funders for future purposes including funding of project related resources and holds funds on account for future years' utilization generated from net surpluses within day-to-day operations and third party project activity. The funds are held with future specific purposes with the exception of undesignated accumulated operational surpluses of \$716 (2022 - \$200) and will become earned revenue when associated expenses are incurred.

### 5. Capital leases:

The value of the capital leased assets are discounted based on the interest rate applied within the lease arrangements, and varies between 0.0% and 8.5% depending on the type of asset. Interest of \$67 (2022 - \$67) relating to the capital lease obligations has been included in interest expense on the statement of revenue and expenses.

Capital lease repayments are due as follows:

	2023
2024	\$ 588
2025	385
2026	95
Total minimum lease payments	1,068
Less: amount representing interest	(29)
Present value of minimum capital lease payments	1,039
Less: current portion	(566)
Long-term portion	\$ 473

# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements (continued)

(in thousands of dollars)

Year ended March 31, 2023

### 6. Deferred capital contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of contributions from member hospitals and grants received for capital assets acquired. The amortization of capital contributions is reported on the statement of revenue and expenses.

	2023	2022
Balance, beginning of year	\$ 2,624	\$ 3,052
Add: contributions received	1,364	768
Less: amounts amortized to revenue	(1,185)	(1,196)
Balance, end of year	\$ 2,803	\$ 2,624

### 7. Contracts and commitments:

The Organization has entered into several maintenance, license and rental agreements and the five-year repayment schedule is as follows:

2024	\$ 2,337
2025	1,198
2026	325
2027	113
2028	67
	\$ 4,040

# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements (continued)

(in thousands of dollars)

Year ended March 31, 2023

---

### 8. Related party transactions:

- (a) The Organization has been granted permission to use the member hospitals' facilities and equipment as considered necessary to carry out the services. The following transaction funding includes not only transactions related to statement of revenue and expenses, but also transactions affecting the statement of financial position.
- (b) Rebill funding is provided as a recovery for expenses paid by the Organization on behalf of the member hospitals. The Rebill recoveries and expenses are reported as a net amount on the statement of revenue and expenses. These include shared contract expenditures across member hospitals, for the following:
  - i. Computer hardware and software maintenance and licenses of \$6,588 (2022 - \$4,732), included under Rebill recoveries
  - ii. Regional Hospital Health Information System (HIS) project of \$12,052 (2022 - \$20,990), included under Capital & project funding.

The HIS project named e-VOLVE is a critical initiative for the hospitals in Erie St. Clair (ESC) region, to replace their legacy Hospital Information Systems with a single, shared, modern, scalable, and sustainable solution. The Chatham-Kent Health Alliance, Erie Shores HealthCare, Hôtel-Dieu Grace Healthcare, and Windsor Regional Hospital are together funding this project, and Bluewater Health has not made a decision on if or when they plan to join.

The Organization, in its role as the ESC hospital's sole Information Technology service provider, has been leading the implementation of this project, with the support of the software vendor (Cerner Canada ULC). TransForm as the sole client, has entered into a contract with Cerner for the development, implementation and hosting of a shared HIS solution. A Funding Letter dated January 15, 2019, was executed by the four ESC region hospitals and the Organization.

In 2021, implementation was completed at Chatham-Kent Health Alliance, Erie Shores HealthCare and Hôtel-Dieu Grace Healthcare, with Windsor Regional Hospital in early 2022.

# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements (continued)

(in thousands of dollars)

Year ended March 31, 2023

### 8. Related party transactions (continued):

In 2023, the Organization received transaction funding from hospitals and at year end the net balance owing from hospitals (included in accounts receivable), are as follows:

2023	Contributions from member hospitals	Rebill recoveries	Capital and project funding	Total transaction funding	Balance owing
Windsor Regional Hospital	\$ 5,386	\$ 2,665	\$ 8,085	\$ 16,136	\$ 1,959
Chatham-Kent Health Alliance	2,227	1,628	2,931	6,786	47
Bluewater Health	2,170	1,129	232	3,531	1,272
Hotel-Dieu Grace Healthcare	1,127	841	1,624	3,592	579
Erie Shores Healthcare	897	325	1,035	2,257	341
	\$ 11,807	\$ 6,588	\$ 13,907	\$ 32,302	\$ 4,198

2022	Contributions from member hospitals	Rebill recoveries	Capital and project funding	Total transaction funding	Balance owing
Windsor Regional Hospital	\$ 5,487	\$ 2,167	\$ 14,116	\$ 21,770	\$ 1,176
Chatham-Kent Health Alliance	2,287	837	4,543	7,667	2,016
Bluewater Health	2,242	900	375	3,517	263
Hotel-Dieu Grace Healthcare	1,207	573	2,195	3,975	140
Erie Shores Healthcare	909	255	1,613	2,777	72
	\$ 12,132	\$ 4,732	\$ 22,842	\$ 39,706	\$ 3,667



# TRANSFORM SHARED SERVICE ORGANIZATION

## Notes to Financial Statements (continued)

(in thousands of dollars)

Year ended March 31, 2023

---

### 9. Economic dependence:

The Organization is financially dependent on the member hospitals as it does not provide significant services to any other parties at this time.

### 10. Pension plan:

Substantially all of the full-time employees of the Organization, as well as those part-time employees who chose to participate, are members of the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer final average pay contributory pension plan. Contributions to the plan made during the year on behalf of its employees amounted to \$2,183 (2022 - \$2,146) and the employer share of \$1,218 (2022 - \$1,197) is included in salaries, wages and benefits in the statement of revenue and expenses. The most recent actuarial valuation of the plan as at December 31, 2021 indicates that the plan is fully funded.

### 11. Home and Community Care Support Services Erie St. Clair (HCCSS ESC) Supply Chain:

The HCCSS ESC supply chain implementation is a project designed to transform Home and Community Care supply chain activity from a manual based operation to an automated solution managed by the Organization utilizing cost advantageous contracts standardized to the member hospitals. The implementation commenced in 2019 and warehouse activities commenced on April 1, 2019.

Rebill funding is provided as a recovery for expenses paid by the Organization on behalf of HCCSS ESC. These expenses in 2023 were for medical supplies of \$6,059 (2022 - \$5,347) that were distributed for home and community care throughout the HCCSS region. The Rebill recoveries and expenses are reported and included in the net amount on the statement of revenue and expenses.